ECUADOR

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The government of Ecuador has very small outstanding obligations outside of its guarantee of the sinking fund and interest of the bonds of the Guayaquil & Quito Railway. Such bonds outstanding at the moment amount to $12,712,000, and as the railway has never paid anything upon its obligations, the government of Ecuador has been obliged to carry the whole burden. On February 1, 1916, the government was in arrears in payment of interest on the Guayaquil & Quito bonds $1,878,975, and it had issued bonds in payment of interest that had previously accumulated for $636,480, on which the interest in arrears is $38,189, so that it was actually behind in interest payments under its guarantees $2,553,644. The only other external debt of Ecuador is the "Condor Bonds," which represents the balance outstanding of the Debt of Independence, and amounts to $387,342. Since the war the government has defaulted on all its interest payments. This has been due to the decrease in revenue that occurred because of the stoppage of the foreign trade of the country after the declaration of war. As Ecuador depends largely for its revenue upon customs duties and export taxes, as is true in the case of many other South and Central American countries, the temporary stoppage of its foreign trade was seriously felt. It had to increase its internal borrowings, which were mostly from Ecuadorian banks, and they have reached a total of $7,165,000. The foreign trade of the country is now picking up, but in the meantime Ecuador has been left with a large floating debt and past due obligations.

The country has wonderful natural resources, and with proper development should be able to increase its foreign trade very materially. Before it can do so, however, it will be necessary to have the sanitation of the port of Guayaquil completed. While this port is at present much more free from disease than is generally supposed, yet because of past epidemics, ships entering Guayaquil are quarantined before being allowed to approach other Pacific ports. This of necessity hampers the foreign trade of Ecuador very considerably, but there are good grounds for believing that once Guayaquil is recognized as a clean port, the revenue of the country, due to the increased foreign business that it is reasonable to suppose would ensue, should increase very materially. Unless Ecuador is able to obtain a loan of considerable size, it will not be possible to complete the sanitation work of Guayaquil, except by piecemeal from year to year, as funds can be spared from the revenue. This

will carry the necessary improvements over such a period of years, during which time the foreign trade of the country will be seriously affected, that it is most important for the interests of the people of Ecuador that the government obtain the money to do the needed work at once.

Certain parts of the country are still without proper railroad facilities, even taking into consideration their present undeveloped state, and if a comparatively few miles of road could be built, it should prove of great benefit to the people. In order to refund all outstanding obligations, complete the sanitation of Guayaquil and make the railroad system thoroughly effective, it is figured that Ecuador will be obliged to borrow about $30,000,000.

EL SALVADOR

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The area of Salvador is 7,225 square miles; it is about the size of the state of New Jersey which has an area of 7,525 square miles and has a population of 1,250,000. Its density of population per square mile is just about one-half that of the state of New Jersey. Almost all of the available surface of the country is under cultivation. Nature seems to have assembled and combined all of the various elements that are necessary to the successful production of coffee, about 65,000,000 pounds of coffee being exported each year.

Salvador has the best record of any of the Central American republics for looking after its credit. Its public finances heretofore have been in charge of the English, the only foreign loan that Salvador ever issued having been floated in London in 1908. This loan amounted to £1,000,000, sterling. It bears interest at the rate of 6 per cent per annum and a sinking fund is provided, consisting of $2\frac{1}{2}$ per cent of the principal amount of the bonds, redeemable in each year. The loan was floated by the London Bank of Mexico and South America and Messrs. Chalmers, Guthrie & Co. of London. It was listed at once on the London stock exchange and has been regularly traded in on that board ever since. Payments of the interest and sinking fund on account of this loan were regularly made from the date of its issue until the month of August, 1915, when, owing to the decrease in the revenues derived from duties on imports and exports occasioned by the war in Europe, the Minister of Finance made a proposition to the holders of the bonds that they deposit their coupons representing four years' interest on the principal of the loan with the trustees for the loan